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ABSTRACT

Performance contracts, in which an outside organization undertakes to provide instruction in a local educational agency's jurisdiction, are discussed in this report. Characteristics of the outside educational organization are described. Payment schedules are outlined in detail, as are the problems of accurately measuring gains. Arguments for and against performance contracts are given. (RS)

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Performance Contracting in Principle and Practice

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PERFORMANCE CONTRACTING IN PRINCIPLE AND PRACTICE

Robert A. Feldmesser

Stripped to its essentials, a performance contract is a formal agreement between a local educational authority (LEA) and some other organization, in which the organization undertakes to provide instruction to students who are in the LEA's jurisdiction and the LEA promises to pay the organization a fee which is to depend upon the measured amount of learning acquired by those students during the contract period. While LEA's have, of course, long entered into contracts for instructional services with individuals and organizations, these have usually been "contracts for best efforts" (Mecklenburger, 1972), in which the LEA engages a teacher, for example, on the presumption that he will do his best to teach a group of students, in return for which the LEA pays him a fixed salary, determined in advance and thus necessarily independent of how much the students may learn. By contrast, a performance contract is a "contract for results" (Stucker and Hall, 1971). The unique provision in such a contract is that the payment for services is set so as to vary with the learning outcomes; the magnitude of the payment must therefore be determined when the instruction is completed rather than before it begins.

Two basic assumptions underlie the proposition that performance contracting can bring about improved instruction: (1) that the primary criterion of success in teaching should be the amount of learning it induces–or, in the language that is often used, how much learning is "produced"; and (2) that, in teaching as in other activities, monetary rewards scaled according to production are an effective device for motivating people to maximize their efforts and hence are a likely way of increasing production. Both these assumptions may be questioned; nevertheless, it is undoubtedly "this no-nonsense insistence on results" (Mecklenburger, 1972) that has attracted so much attention to performance contracting in the brief period since the first such contract in modern times was signed in 1969.

Even in that brief period, a number of features have come to be so commonly associated with performance contracting that, although they are not intrinsic to it, the concept cannot be discussed without reference to them. The most important of these are:

1. The organization offering the instructional services is usually a private profit-making firm, called an "educational technology company" or a "learning systems contractor." The reason for this is that it is generally regarded as more appropriate for a private company to base its actions on considerations of monetary reward than for professional persons to do so. Hence, most contractors either have been divisions or subsidiaries of large private corporations, often those which had previously been selling instructional materials or equipment, or even services, but under fixed-price contracts; or they have been private, relatively small firms established more or less explicitly to take advantage of performance-contracting opportunities. Many of these contractors, however, employ the LEA's teachers as their own instructors (they may even be required to do so), either under conventional contracts or with incentive provisions (see 5 below). In principle, a local teachers' organization may itself enter into a performance contract directly with an LEA, and a few have done that. In such cases, the contract is, in effect, a form of "merit pay."
2. Along with the performance contract itself, auxiliary contracts are almost always signed with a management support group (MSG) and an evaluation agency, and sometimes with a so-called "auditor" as well. The MSG helps the LEA deal with the unfamiliar intricacies of the performance contract, identifies potential bidders and assists in selecting the final contractor, liaison between the LEA and the contractor, and aids in the determination of contract costs. The evaluation agency serves as an impartial organization in measuring the learning achievements on which the instructional contractor's payments are based and perhaps also in ascertaining the other effects of his program. The auditor verifies the work of the evaluation agency, in the manner of a fiscal auditor, and may advise the LEA on proper evaluation procedures; but the distinction between evaluation and auditing is fuzzy, and where the LEA has sufficient confidence in the evaluation agency, it may dispense with an auditor. The MSG, and particularly the evaluator and the auditor, are more likely than the instructional contractor to be non-profit companies (and they may sometimes be public agencies), because it is important that their judgements be regarded as disinterested by all parties and by the community at large. Again, however the LEA could in principle perform any or all of these functions itself.
3. Instruction under a performance contract is often carried out with heavy reliance on "hardware" (tape cassettes or some type of "teaching machine") and on paraprofessional personnel. This is because it is hardly worthwhile for an LEA to enter into a performance contract if all it obtains thereby is a conventional sort of

teaching that could be done by its own professional staff. But the performance contract is an administrative arrangement, and no particular instructional strategy is inherent in it. Some LEAs have placed restrictions on the teaching methods that can be used or have even required that one designated method must be employed, but such provisions are extraneous to the nature of the contract. Indeed, since the performance contract *is* a contract for results, it implies that the instructional contractor ought to be free to use whatever method he deems effective, and even to change it as he goes along.

4. Most performance contracts have involved the teaching of "disadvantaged"—or, to use the term suggested by Stone (1972), "disequalized"—students. It is for these students, many of whom are members of minority groups, that educational innovations have seemed most urgent, in view of the widespread failure to bring their learning up to "grade level." There is at least one instance, however, where an LEA in an affluent suburb felt impelled to venture into performance contracting for its students (Mecklenburger and Wilson, 1971).

5. Apparently because it is a natural corollary of the performance-contracting rationale, many instructional contractors use techniques of "contingency management" in their classrooms; that is, they offer rewards to teachers and/or students in accordance with learning outcomes (Frieder, 1971; Homme, 1969). For teachers, the rewards may be cash, or stock in the company; for students, they are usually commodities (for example, small transistor radios), free time to engage in activities of their own choice, or tokens redeemable for one or the other. Another form of incentive, aimed at increased learning but not directly tied to it, is the provision of special classrooms (which may be given a distinctive name, such as "rapid learning centers") for the contractor's program, furnished with air-conditioning, carpeting, and other attractive accoutrements, which either the LEA or the contractor may pay for. Because these incentive practices are so common and do reflect the basic principles of performance contracting, some critics (Shanker, 1971) have identified them with performance contracting proper. Actually, contingency management can be used outside a performance contract, and a performance contract does not necessarily imply the use of contingency management; some LEAs have forbidden its use in their contracts. In any case, it should be clear that the incentive principle of the performance contract is applied *to the instructional contractor*, who may or may not choose to extend it to teachers or students.

6. Most contracts require that, if the instructional company's teaching methods prove successful, the company, the MSG, or both, are to help the LEA's professional staff incorporate them into the routine operations of the school system. This provision, called "turnkeying,"[1] evidently arises out of the reluctance of LEAs—perhaps even their legal disability—to be dependent on a private company over a long period of time. Since such dependence probably would cause serious difficulties (for example, in teachers' morale, if nothing else), turnkeying comes closer to being a necessary part of performance contracting than any of the other auxiliary features listed above.

THE PAYMENT SCHEDULE AND PROBLEMS OF MEASUREMENT

The heart of a performance contract is its "payment schedule." In this schedule, the amounts of learning which might occur among students during the contract period are expressed in terms of grade-equivalent gains, and attached to each gain is the fee to be paid for each student who achieves it. Typically, a minimum gain is specified, below which no payment is made. This is called the "guaranteed" or "insured" level, and in a contract running for one year (the duration of most performance contracts so far), it is usually a gain of one year. A base payment—for example, $50—is made for each student who reaches the guaranteed level, and premiums are paid for additional gains; for example, $20 for each month beyond a year (the figures are taken from an actual contract).[2] A maximum total payment is also stated, so that the LEA can be certain that contract costs will not exceed available funds. The same schedule may be used for each subject to be taught under the contract, or different schedules may be applied to different subjects.

If a legal document such as a performance contract is to attach a specific monetary reward to a specific amount of learning, both quantities must be measurable with a high

[1]The term was adopted from the housing-construction industry, where it referred to an arrangement whereby public housing was built by a private contractor, who carried out all the planning, site-acquisition, construction, etc., so that the authorizing public agency had only to "turn the key" in the door in order to make the housing available.

[2]Questions have been raised (Office of Economic Opportunity, 1972) about the scale of values implicit in a payment schedule. Are all gains of less than one year truly "worthless"? Is one student's gain of 1.5 years actually equal to two students' gain of one year each? Does a gain of one month for a student in the sixth grade have the same worth as a gain of one month for a student in the fourth grade? It is difficult to know how an LEA, or its community, might go about deciding what are, for it, the "right" answers to these questions.

degree of precision and objectivity. This requirement causes no problems so far as the monetary reward is concerned: number of dollars is widely accepted as a precise and objective form of measurement. "Amount of learning" is far harder to measure, and the efforts at measuring it have won by no means universal acceptance.

Measurement efforts have come closest to acceptance in the areas of reading and mathematics. Consequently, nearly all performance contracts have been limited to instruction in either or both of those subjects, and this will probably be a major restriction on the scope of performance contracting for some time to come. It is conceivable that other subjects like vocational training, science, and history could be added (they have been included in a few contracts[3]), but the prospects are remote for objective measurement in important dimensions of pupil growth such as social maturity, self-esteem, or civic responsibility.

Proponents of performance contracting argue that this limitation should not be a deterrent to the use of the device. They point out that disequalized children almost always *are* seriously deficient in reading and mathematics; that these are vital skills in their own right and prerequisite to much other learning; and that progress should be made in whatever areas it can be made, rather than holding back until it is possible in all areas (Lessinger, 1970). Critics contend, however, that many commonly used test instruments stress "lower-level" kinds of skills such as a knowledge of vocabulary or recall of facts rather than "higher-level" skills such as expressive abilities or application of generalizations; and that the excitement aroused by a performance contract, the rewards attached to it, and the resources devoted to it will lead LEAs, teachers, and students alike to deprecate the areas not included in it (Shanker, 1971). These areas will not merely remain as before: they will be "under-taught"; and while reading and mathematics are important, it does not follow that every increment in knowledge of those subjects is worth the sacrifice of everything else.

Even in reading and mathematics, measurement of learning gain is beset with a plethora of problems. The typical procedure is to select one of the nationally standardized tests already on the market and administer one form of it to the students before the instructional program begins; administer an equated alternate form (to avoid "practice" effects) when it has ended; convert the scores for each child into grade equivalents according to the test publisher's norms; and calculate the differences between the pre-test and post-test grade equivalents as the basis for payment to the instructional contractor. The following are among the defects in this procedure:

1. No nationally marketed test will closely reflect any one contractor's instructional program. To the extent that it does not, the learning that has occurred will be underestimated.
2. Most of the marketed tests were designed to rank-order students in terms of their relative knowledge at one point in time. Psychometricians are skeptical about the propriety of using them to measure change over a period of time.
3. The reliability of the difference between two scores for a single individual is apt to be quite low.
4. Conversion of test scores into grade equivalents is a dubious, though common, practice. On many tests, the difference between the norms for two successive grades corresponds to only a small number of additional correct responses; and because of differences in norming populations and procedures as well as in test content, the knowledge indicated by a grade-equivalent score on one publisher's test is not necessarily the same as the knowledge indicated by the same grade-equivalent score on another publisher's test.
5. The measurement of gain as described ignores the "regression effect"– the probability that a person who scores extremely low on a test at one administration will score higher on it (or an alternate form of it) at the next administration, simply by chance and regardless of how much he may have learned or not learned in the interim. It is true that regression works the other way around, too–a high scorer tends to score lower when he takes the test again–but this is less likely to receive attention, since the instructional contractor is paid premiums for score gains of more than a year but his fee is not reduced for score losses of more than a year. Moreover, the disequalized students at whom performance contracts are usually aimed are much more likely to be initially low scorers than high scorers–a reflection, of course, of the very reason why special efforts are being made to improve their instruction. (In some cases, they score so low that the test norms are not applicable to them.) Thus, the instructional contractor may appear to be producing more learning than he actually is, and to be paid accordingly, merely by a statistical artifact. (For further discussion of these and related problems, see Feldmesser, 1971; Lennon, 1971, Sigel, 1971; Stake, 1971).
6. Because his fee depends on his students' post-test scores, the instructional contractor may orient his program excessively toward the post-test items ("teaching to the test") or may even use his program to coach students on the correct answers ("teaching the test"). The former practice is generally regarded as undesirable; the latter is plainly unethical, since it produces spuriously high scores–that is, students may come to know the correct answers without acquiring the knowledge that the test is

[3]The performance contract in Gary, Indiana, is unique in that the contractor is responsible for instruction in all subjects for an entire elementary school, but it is noteworthy that he is paid on the basis of gains in reading and mathematics only. This contract is also unusual in that it is to run for four years.

presumed to measure. Yet in the very first performance contract, in Texarkana, Texas-Arkansas, test items were deliberately and repeatedly included in the contractor's lessons just prior to administration of the post-test (Bumstead, 1970). Despite the scandal that erupted, it may have happened again in a performance contract in Providence, Rhode Island (Wardrop, 1971). Thus, what is supposed to be the major strength of performance contracting has, as its obverse, a serious weakness: The monetary reward can become an end in itself, and those who pursue it will sometimes resort to illegitimate means that defeat the original purpose of the reward. Examples of this are legion in the marketplace, leading some critics to argue that performance contracting threatens to corrupt the very nature of the educational enterprise.

Various solutions have been offered to these problems. Payment schedules could be based on the mean gain of a class, which would be a more reliable statistic than individual gains; or the unreliability of individual score differences could be reduced by extending the duration of the contract to two or three years. Payment schedules could also be based on raw test scores rather than on grade equivalents, and gains could be expressed as residuals derived from a regression analysis rather than as simple differences. Deductions from the fee could be provided for score losses, in the same magnitude as premiums for score gains. Penalties could be imposed for test items discovered in the instructional program, and/or the identity of the test could be concealed from the contractor.

Some of these solutions have been adopted, but many of them give rise to problems of their own: the fear that may be aroused (perhaps unjustifiably) that a contractor paid according to the mean gain of a class will "lose sight" of the individual pupils in it, or at least not distribute his efforts evenly among them; the legal difficulties of a long-term contract with a private firm; the loss of public understanding that might come with the elimination of grade equivalents or with the use of regression analysis; the unfairness to a contractor of paying him according to a standard whose content is kept hidden from him.

A more sweeping solution that has been suggested is to reduce the reliance on standardized tests, or to do away with them altogether, in favor of "criterion-referenced" tests. This is a complicated topic which cannot be explored at length here (for fuller treatment, see Jackson, 1970). However, for present purposes, a criterion-referenced test may be defined as one on which the items are drawn from a clearly and rigorously circumscribed domain of learning—for example, a specific instructional program—and each item is construed to be a self-evident criterion (hence the name) of whether an element in that domain has been acquired.

If this is so, then gains from one test administration to the next can be measured directly, without resort to the norms of a standardized (or "norm-referenced") test. Contractors in particular seem to favor criterion-referenced testing, since it allows—indeed, requires—the test to be exactly matched to the program content; by the same token, "teaching the test" becomes the proper and necessary course of action. Criterion-referenced tests have formed the basis of a proportion of the total maximum payment in many performance contracts.

But there are grave objections to the use of criterion-referenced tests for this purpose (Feldmesser, 1971; Lennon, 1971). Their statistical properties are poorly understood, and there is little agreement on the standards for identifying suitable items. They are probably even more vulnerable than norm-referenced tests to the criticism that they do not adequately measure the "higher-level" kinds of knowledge. In part because they are new, they are not widely available on the market. As a result, when they have been used, the items have been supplied by the contractors themselves, which leaves open the possibility that the items may be made so easy that they are not a convincing measure of the knowledge that has been acquired; this has occurred (Office of Economic Opportunity, 1972), and it seems to amount to another kind of "cheating" induced by the lure of monetary reward. Even at that, the creation of a test *de novo* is a time-consuming and expensive process. In the large-scale trial of performance contracting sponsored by the Office of Economic Opportunity in twenty districts in 1970-71, criterion-referenced tests were supposed to determine 25 percent of the contractors' payments, but the burden of developing the tests proved to be unmanageable, partly because OEO tried (unsuccessfully) to have the items reviewed by the evaluator prior to administration to prevent the abuse just mentioned (Office of Economic Opportunity, 1972). Finally, a criterion-referenced test may have a drawback opposite to that of a norm-referenced test: It may be *too* closely matched to program content. That is, it may show whether a student has mastered a contractor's reading program but not necessarily whether he "knows how to read" in a broader sense

For the time being, there appears to be no set of wholly satisfactory solutions to all the problems of measuring learning increments for performance-contracting purposes. The partial solutions currently available may, however, be considered sufficient if performance contracting offers hope for significant improvements in the educational system.

PROS AND CONS OF PERFORMANCE CONTRACTING

A number of consequences beneficial to education generally are claimed to flow from performance contracting. For each alleged benefit, however, counter-arguments have been put forth to the effect that the presumed consequences are not actually obtained, that they can be obtained equally well by other and better means, that they are outweighed by other non-beneficial yet inseparable consequences, or that the consequences themselves are not benefits at all. Three major controversial issues will be reviewed here.

Stimulus to accountability

One of the virtues most frequently attributed to performance contracting is that it furthers the movement toward educational accountability (Carpenter and Hall, 1971; Lessinger, 1970; Sigel, 1971). In the present context, "accountability" may be defined as the principle that persons charged with producing learning in students should bear the consequences of the amount of learning they produce. (Thus, it is distinguished from the point of view which holds that only *students* should be the beneficiaries–or victims–of the learning they acquire or fail to acquire.) The effect of this principle would be that those most successful in producing learning in their students would be rewarded and so would tend to remain in the education profession, while those less successful would be discouraged from remaining. Hence, accountability is viewed by some as a powerful tool both for increasing the learning that takes place in school and–because it would tend to eliminate ineffective producers–for reducing the cost of producing it. Since a performance contract seeks to establish a direct tie between amount of learning and the reward to the producer of learning (in the form of the fee paid to the instructional contractor), it is clearly a move toward this kind of accountability. Even if, as Lennon (1971) has said, it will eventually "be seen as a rather primitive, simplistic approach" to implementation, it nevertheless may help focus attention on the principle and pave the way for more sophisticated mechanisms.

Some of the objections to this claim rest on the difficulties in measurement that have already been discussed. It may be noted that, to the extent that such objections are valid, they cast doubt on the possibility of instituting any sort of accountability whatever.

Other objections are based on the suspicion that performance contractors may not be primarily concerned with increasing student learning at all; they may be motivated instead by the desire "to break into new markets heretofore largely dominated by textbook publishers" (Carpenter and Hall, 1971), or by the hope that the publicity attendant upon their novel ventures will raise the price of their stock. For such purposes, they may even be pricing their contracts lower than their anticipated costs and without regard to how much knowledge they expect to convey to students; if so, the experience with performance contracting does not further the move toward accountability. A related objection is that performance contracts do not give an accurate picture of instructional costs, because the LEA sometimes bears a portion of these costs (teachers' salaries and fringe benefits, classroom renovation) and because contracts may require the LEA to purchase some services (e.g., teacher-training) that it could probably provide more cheaply itself (Stucker and Hall, 1971; Locke, 1971).

It must also be pointed out that there are criticisms of the concept of accountability itself as it has been defined above. Some observers fear that it may all too easily turn into cost-cutting for its own sake (Sigel, 1971). Others, especially spokesmen for teachers' organizations, have asserted that a professional person can be held accountable only for following "proper professional practices," not for bringing about any specific result which depends on factors outside his control (Shanker, 1971).

Improvements in administration

Another claim for performance contracting is that it promotes improvements in educational administration. Organizations providing MSG services sometimes have backgrounds in industrial management, and it is felt that they can offer a model of "scientific management" and help train the local administrators in its techniques. Apart from the effects of the MSG's presence, it has also been argued that the performance contract itself sets a precedent for objectively described and clearly understood relationships between an LEA and an instructional corps. The contract specifies exactly what responsibilities each party has and what will be the price of failure to meet those responsibilities. It has some of the same "no-nonsense" air about it that the emphasis upon results has. If these characteristics can subsequently be transferred to the relationships between the LEA and its own professional staff, educational administration, so the argument goes, will be placed on a sounder footing.

How much one is impressed with the first of these contentions depends inevitably on what one thinks of the techniques of "scientific management." That aside, the record of the MSGs so far has not been auspicious. A careful and thoughtful study of eight performance contracts found that they were plagued with managerial problems that the MSG evidently did not solve; that teachers continued to be indispensable to the proper design and planning of the contract; and that–scientific management or no–the effectiveness of the contract or as a "change

agent" demanded that "someone in the LEA's administration with ability, position, and respect adopts the program as his personal project" (Carpenter and Hall, 1971). It has even been suggested that the MSG, instead of being a "mediator" between the LEA and the instructional contractor (Lessinger, 1970), could be a barrier between them, reducing interaction below the level necessary to assure proper guidance and understanding an ultimate acceptance of the results (Stucker and Hall, 1971). It must also be mentioned as an ironic peculiarity that the MSG companies–often the strongest supporters of the accountability principle–themselves operate under contracts that do not hold them accountable in the same strict way that the instructional contractors are (Sigel, 1971).

The second contention–that performance contracts help build sounder relationships for the future between the LEA and its own professional staff–is also weaker than it might appear, at least at the present stage of development. In the first place, each performance-contract venture entails not one but three or four separate contracts (see p. 1), and this has led to "fragmented responsibility and authority among several parties" (Carpenter and Hall, 1971). Secondly, the contract with the instructional firm alone has its complexities. The spirit of performance contracting, as has been explained, requires that the instructional contractor have a good deal of latitude for changing his program when he finds it desirable to do so, but such changes sometimes necessitate changes in the contract that are not easily accomplished. Carpenter and Hall (1971) conclude, from their study of the execution of eight performance contracts, that "the contracts as they were written actually hampered the [program] development effort." The experience of the OEO project has been even more instructive; the agency's first report on it (Office of Economic Opportunity, 1972) says:

> ...the original terms [of the contracts] specified that a definite number of students would be present for definite periods of instruction. Teacher strikes, absenteeism, bad weather, student drop-outs, and other factors made it impossible for school districts to fulfill those guarantees.

"Adjustments for these factors," it adds, "are presently being negotiated." On the other hand, the report also points out that "the initial contracts allowed too much room for difference in interpretation... and... the roles of the various... participants were not spelled out clearly enough."

Questions about the legality of an LEA's delegation of instructional duties to a private company have already been mentioned. In addition, teachers' organizations have charged that performance contracts may violate the terms of their contracts with LEAs, especially insofar as the firm involved employs low-paid and uncertified paraprofessionals. Even if these charges are inspired by teachers' apprehensiveness about their jobs or the threat of merit pay, they are not for that reason false, they may nevertheless lead to expensive litigation, and they hardly suggest that performance contracts lead to healthy relationships between LEAs and their teaching staffs.[4] The American Federation of Teachers has declared its unequivocal opposition to performance contracting, and the National Education Association has adopted what is at most a lukewarm attitude (Dickinson, [1971]). All of these difficulties are probably going to become more rather than less severe, because in many places they have been "left unresolved on the grounds that these were experimental programs.... In future years challengers are less likely to hold their fire" (Carpenter and Hall, 1971).

Facilitating innovation

Performance contracting has, finally, been heralded as a way of bringing badly needed changes into the content and conduct of educational programs. Indeed, to some, this is its major long-run significance. Three kinds of reasons are given for this view:

1. The typical public bureaucracy, such as a school system, is encumbered with rules and regulations that make it cautious and slow-moving, but private firms can by-pass many of these obstacles and may also be "more flexible [organizations], able to adapt more rapidly and easily to changes in the state of the art" (Stucker and Hall, 1971).
2. A private firm can spread its research and development (R&D) costs over all the school districts in which it operates, so that innovation in any one of them can be less expensive than if the LEA had to bear all the costs itself. This would be of particular advantage to a small school district, in which R&D costs would otherwise be a prohibitively large proportion of its budget. Moreover, the performance contract ensures that, if the innovation is ineffective (fails to increase learning), the fee paid to the contractor will be relatively small; innovation can thus be undertaken at low financial risk.
3. Private firms have fresh ideas, resources, and talents, uninhibited by educational traditions. This is especially important for innovations that constitute instructional "*systems*, as opposed to loose collections of components.... An outside organization may find it easier to design a new program 'from the ground up' than could someone already in the system" (Stucker and Hall, 1971).

These theoretical advantages may not be so appealing on closer examination, or they may not be manifested in practice. The regulations that a private firm can ignore may

[4] In one instance, the paraprofessionals employed by an instructional contractor staged a brief work stoppage themselves, to demand the dismissal of the contractor's project administrator and improvements in their conditions of work (Shanker, 1972).

be needed for the protection of students, teachers, or the general public. The reduction in a district's R&D expenses may be made up for by the extra costs of contract preparation and monitoring and the fees paid to the MSG, the evaluator, and the auditor—and these costs are no less if the instructional program is a failure (although in most contracts to date, such costs have been covered by a federal grant, outside the district's ordinary budget).

On the other hand, if the program is a success, there will be the costs of training teachers and administrators to work with it, costs which could have been avoided had they received their training while attempting to install the program themselves. Perhaps most important, it has become apparent that few, if any, instructional contractors do in fact have prepackaged, ready-to-install programs, tradition-free or otherwise. To the contrary: The efforts at performance contracting so far have found the contractors improvising almost from day to day, misjudging student responsiveness, failing to supply equipment and materials on time and in good working order, etc. (Carpenter and Hall, 1971; Office of Economic Opportunity, 1972).

Even if contractors did have smoothly operating programs, or will have them soon, it should not be assumed that these programs would necessarily be superior to those now in use or to those that can be developed within the public educational system or by its affiliated (and non-profit) R&D organizations. There are, after all, numerous instances in which the ideas, resources, and talents of private firms have been put to frivolous or injurious—not to say disastrous—use. Nor is it unambiguously clear that private firms have a better understanding of human learning processes than professional educators do (Block, 1970). What they do know probably comes from the educational research literature, in which case it is "available to any school system free for the taking" (Mecklenburger, 1972). Or, if they *have* put that knowledge into an effective program, it can often be bought on the market in the ordinary way, without the apparatus of a performance contract (Locke, 1971).

CONCLUSIONS

An LEA's decision to enter upon a performance contract involves considerations of preferred types of risk, instructional and managerial capabilities relative to those of potential contractors, legal and other institutional hazards, costs, and expected effectiveness; some of these considerations are incalculable, intangible, or peculiar to local situations (Stucker and Hall, 1971). If the decision is affirmative, the LEA must be prepared to cope with a complicated set of contractual relationships, tangled problems in the measurement of learning gain, possible protests from teachers, and anxieties over the non-contracted parts of the curriculum. And if the contractor's work proves successful, the LEA may not know to what to attribute the success and, consequently, may not know exactly what ought to be turnkeyed: the incentives of the payment schedule, the technological devices, the contingency management or other instructional techniques, the paraprofessionals, the special classroom furnishings, the freedom from bureaucratic impediments, the work of the MSG, or some combination of these.

Yet many a school-board member, superintendent, and principal would gladly endure all these perplexities if he could be assured that performance contracting was, in the end, a reliable way of increasing student learning over what it presently is. No such assurance can be provided. The results of the OEO project were, in a word, dismal. The agency has bluntly summed up its evaluator's findings thus: "Was perormance contracting more successful than traditional classroom methods in improving the reading and mathematics skills of poor children? The answer. . .is 'No'" (Office of Economic Opportunity, 1972). The eight contracts studied by Carpenter and Hall (1971) displayed the same picture. These results should be regarded as preliminary: they have come out of what were, for the most part, ill planned ventures and hastily installed programs and they do not include the sites where the local teachers' association was the instructional contractor. More thorough analysis may yet yield some spark of hope. But the results are hardly promising. It is an understatement to say that performance contracting does not appear to be the "Educational Millenium" (Sigel, 1971).

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